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USA TODAY
17 January 1983

COVER STORY

Playing the executive match game

Headhunter firms search for Fortune 500 stars, six-figure commissions

By Ellis Cose
USA TODAY

NEW YORK — In a world of corporate kings, Robert Nesbit is a kingmaker.

In the four years he has been with Korn/Ferry International, the Cadillac of executive-search firms, he has placed 23 people as division presidents or better — all at major companies.

Like kingmakers of yore, he operates in a world of intrigue, where personal contacts result in six-figure fees, where his voice on the telephone can be like the voice of God.

The wages of intrigue are good: The standard fee is roughly one-third of the executive's first-year compensation. And until shaken by the current recession, headhunting was growing exponentially, according to Leon A. Farley, president of the Association of Executive Search Consultants.

The current *Directory of Executive Recruiters* lists 1,400 firms. Even with the recession, industry revenues last year are estimated at more than \$1 billion.

Many Fortune 500 companies use executive-search firms. Many star executives, such as Richard W. Hanselmen, president of Genesco Inc., owe their jobs to recruiters.

Though exact numbers are elusive, Arch Patton, a retired director of management consultant McKinsey & Co., estimates that as many as four-fifths of companies with more than 500 employees have recruited outside executives. In

1981, he said, 20,000 executives — average salary, \$50,000 — changed jobs, and he estimated that one in six went for more than \$100,000.

In spite of big money and big business, headhunting is more art than science. "You can't go to the University of Pennsylvania and major in search," said Pierre Dowd, senior vice president of Ability Search Inc., an Alexandria, Va.-based firm.

When science does step in, it is in the form of computers that catalog candidates and videotape machines that capture their performance during interviews.

A search can take months and usually begins with a call from a client, like the major men's apparel firm that contacted Nesbit last fall. The mission: Find a president for a \$100 million division that sells men's suits and tailored clothing. And do it under a cloak of secrecy.

Robert Nesbit, a Korn/Ferry partner and head of its retail specialty division, zipped over to the company's offices in downtown Manhattan. After a few minutes' discussion with the man seeking a successor, they widened the net.

Originally determined to find someone already a president in tailored men's clothing, they could think of only six who might fit the bill — and three owned their companies.

They decided then to look in other parts of the menswear industry but still only among presidents. "The company isn't hiring you to get somebody their next promotion," Nesbit said.

The specifications were given to Korn/Ferry's research department, which came up with about 100 names using computer files, phone calls and methods Nesbit elliptically calls "mysterious."

Nesbit phoned every one.

His opening gambit was cautious, never naming the search firm until the prospect was on the line. Then he asked, "Are you familiar with our firm?"

Twenty minutes of conversation eliminated 70 of the 100, those either unqualified or uninterested. The other 30 went to Korn/Ferry's offices and at that point, said Nesbit, "I played God."

He knew the firm was looking for a solid citizen to mesh with the low-key, relaxed boss. On the basis of chemistry, references and calls to old contacts in the industry, Nesbit eliminated all but four, who were sent to the client firm.

But even when the match seemed made (with a man then running a sportswear division of a less-prestigious firm), Nesbit's job was not over. He also helped determine the salary and compensation the candidate would accept. Then he helped convince the man that the challenge of the new position counted more than his feelings of loyalty to his old firm. Mission completed. Time elapsed: three months.

Dowd, who hunts in the midlevel executive range, follows similar procedures.

Though Ability Search has no massive research department, Dowd also identified 100 potential candidates in a recent search for a director of taxation for a Washington trade association.

He eliminated 70 during 20-minute phone calls, eliminated another 10 by their resumes, and called in the rest.

During that hour of conversation, Dowd said, he eliminated candidates who showed nervousness, evasiveness, rebelliousness or flippancy, always probing for the right "personal chemistry." When the talking was over, three candidates remained.

James McCarthy, who ultimately got that job, said what struck him most about the experience was that "I didn't have to do much." It was as if some new important force had entered his life.

Indeed, some people see headhunters as too powerful and too inhuman — hired guns who snap up bodies with all the sensitivity of hired kidnappers.

Headhunters resist such a characterization. They talk about "company culture" and insist their job is not only to find bodies but to match personalities and styles.

Ted Mullins, vice president for industrial relations with Chesebrough-Pond's Inc., says the firms "provide a method ... to reach potential candidates that we otherwise could not reach."

William S. Carlin, vice president for human resources with American Can Co., cites another purpose: "The chief executive officer may have his eye on inside candidates for a senior vice presidency and wants to measure them against outside candidates."

Carlin said search companies can provide invaluable expertise to corporations that need executives in entirely new areas — such as American Can, which recently entered financial services.

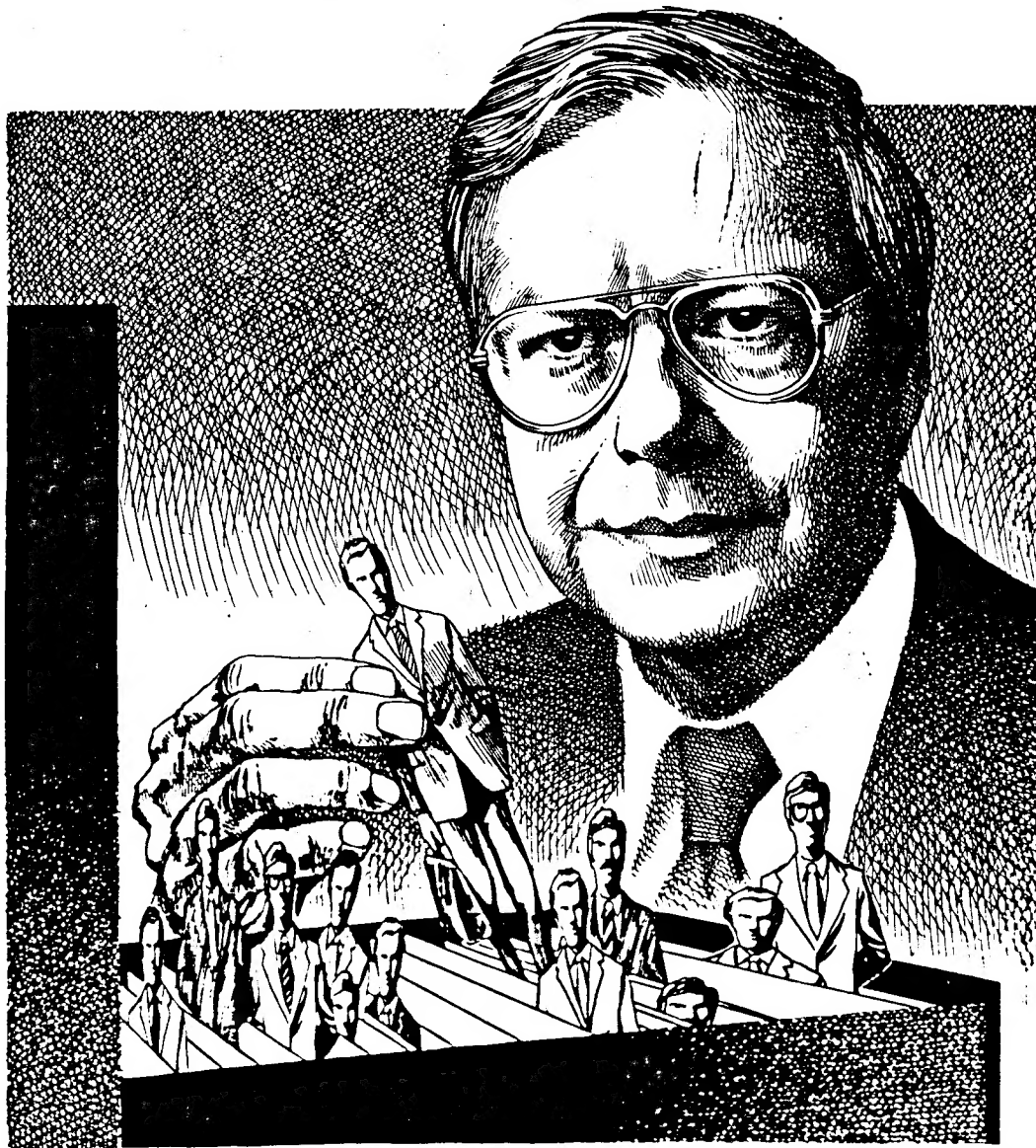
But love for headhunters is not universal. Though Warner Communications Inc. has used search firms in the past, it now has an in-house headhunter: Jerry Aiella, who sports the title of executive recruiter. Said Aiella, "We feel I can do the job better. I know the company. I'm part of it."

Other companies have followed Warner's example, and some credit that phenomenon, along with the recession, for last year's slump in search contracts.

According to the Association of Executive Search Consultants, 1982 saw an overall drop of 27 percent: 22 percent in the \$80,000-to-\$100,000 category; 12 percent in the \$100,000-to-\$200,000 category; and 39 percent in the over-\$200,000 category. But association spokesmen think things may be looking up soon.

Nesbit is not very worried. "I've seen these people put on their do-it-yourself kits," he scoffed. "They waste hours and hours and never get the right person ... And they pay a hell of a lot more."

Business go-betweens



By Sam Ward, USA TODAY

NESBIT: He makes kings based on a combination of skills and the right chemistry.